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On-Site Systems, Inc.

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Nashville, TN 37209

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2003 MAY 16 PM 1:53

T.R.A. DOCKET ROOM

May 16, 2003

Mr. Mike Gaines, Chief
Energy and Water Division
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

RE: Docket # 03-00329 – Petition to amend Certificate of Convenience and Necessity

Dear Mr. Gaines:

Below please find our response to your data request for the above-referenced application.

1. A rate of \$35.11 is indicated in the petition for residential service. Will this rate be same no matter what type of system is used (sand gravel or lagoon) within the proposed service area?

The rates that residential customers pay is based on the components of the system that serves them. For systems comprised of watertight effluent collection, sand-gravel filter treatment and subsurface drip irrigation disposal, the rate will be \$35.11. The appropriate rate for other similar systems using packed bed, fixed film treatment (Advantex and Bioclere would also be \$35.11.

We do not presently have any systems in Sevier County that are served by a lagoon treatment system, however, it is possible that we will have in the future. The appropriate monthly rate for a system with watertight effluent collection, lagoon treatment and subsurface drip irrigation disposal is \$30.98.

2. Is there an immediate need for service now in the proposed service areas? Has anyone applied for service to be supplied by On-Site Systems now? If so, where exactly are they located within the proposed service territory?

There are several developers who have expressed a desire for sewer service within the county. In the last three years, we have submitted twelve petitions to the Tennessee Regulatory Authority for service areas in Sevier County. Additionally, we currently have a petition pending for another project – Black Bear Ridge, Docket Number 03-00192 and are processing developer requests for two additional projects (Smoky Cove and Greystone Lodge).

3. Provide an explanation as to why it is the public interest that On-Site be granted the proposed service territory within Sevier County.

It is in the public interest that On-Site Systems, Inc. be granted the proposed service area in Sevier County for several reasons. There is a significant need for new developments in the county to have sewer service. Due to the terrain situation in the county, the proximity to the Great Smokey Mountain National Park and the need to keep scenic streams in the area clean, it is very important that sewer systems for new developments employ treatment of wastewater to a very high level of cleanliness and not discharge into streams. To the best of my knowledge, no other provider of sewer services in the county is using a system comprised of a sealed, watertight collection system, a fixed film reactor and subsurface drip irrigation disposal system. At On-Site Systems, Inc, our mission is to provide affordable sewer service in communities where it is presently unavailable, through the use of proven, environmentally safe technology. Since it is our desire to serve consumers all across the state, it is consistent that we are petitioning to serve a larger portion of Sevier County. If we continue to petition one development at a time, at the rate of twelve ever three years, we could reasonably expect to submit another thirty-six (36) petitions in Sevier County in the next nine (9) years. This seems to me to be a waste of time and resources of the Tennessee Regulatory Authority, On-Site Systems, and everyone else involved. A single petition is a far better alternative.

4. Have all of the other incorporated areas of Sevier County, besides City of Pigeon Forge and Sevier County, been contacted about providing service to the proposed service territory? If so, provide documentation that these entities have been contacted concerning the expansion of your wastewater system.

Letters were sent to Mr. Jim Coykendal, Director of Planning, Pittman Center Planning Commission for the City of Pittman Center; Mr. David W. Ball, Director of Planning, City of Gatlinburg; and Bryan Atchley, Mayor for the City of Sevierville (see attached letters). As of this date, no response has been received. We will forward any additional responses upon receipt.

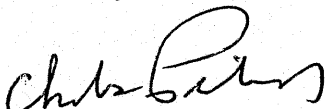
5. Have all of the utility districts within the proposed service territory been notified of your intent to provide wastewater service?

Webb Creek Utility District was contacted by phone and we were advised that they only serve the area of Pittman Center. East Sevier County Utility District serves a portion of the east side of the county and we excluded their chartered territory. Mr. Larry Waters, County Executive for Sevier County, provided the legal document describing that territory.

6. Has the county planning commission been notified of your intent to provide wastewater service to proposed service territory? If so, provide written documentation that they have been contacted.

David Taylor, Director for the Planning Commission works for the County Executive for Sevier County – Larry Waters – to whom we sent a letter. His response was incorporated in the original petition, which speaks for the County as well as the Planning Commission. Letters were sent to the Directors of Planning for the City of Gatlinburg, City of Pigeon Forge, and the City of Pittman Center. (See attached letters) As previously stated, no responses have been received but will be forwarded upon receipt.

Sincerely,



Charles Pickney, Jr.
President

P.O. Box 22771
Knoxville, TN 37933-0771
(865) 675-5917

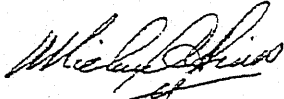
OSI is preparing to petition the TRA to grant a Certificate of Convenience and Necessity to cover the remaining areas of Sevier County where municipal or county sewers are not available. It is my understanding that Pittman Center is not served by a municipal sewer system. We would like to include Pittman Center and its growth region in our requested coverage. If approved by the TRA, that action would assist your planning efforts in that public sewer could be available throughout the planning district. As indicated, this would

not preclude Pittman Center from developing its own sewer system to serve its residents at any time in the future.

If you concur with our proposed request, we will proceed to the TRA with our petition. Once the certificate is issued, subdivision planning before your planning commission will continue unchanged. When a developer submits a proposal to subdivide property, you will review the proposal for adequacy of sewage disposal. If the city desires to serve the area with municipal sewer service, it can do so regardless of whether the developer has proposed to use individual septic tanks or an OSI system.

Please consider this as OSI's request to the City of Pittman Center for concurrence with our petition to the TRA to include the entire planning district outside of the current or future city corporate boundaries as part of a Certificate of Convenience and Necessity. If you or any of the other city officials have questions or would like more detailed discussions, I am available at any time.

Sincerely,



Michael Hines, M.S., P.E.
Vice President

On-Site Systems, Inc.

P.O. Box 22771
Knoxville, TN 37933-0771
(865) 675-5917

January 10, 2003

Mr. David W. Ball
Director of Planning
City of Gatlinburg
P.O. Box 5
Gatlinburg, TN 37738

Dear Mr. Ball:

This letter confirms and augments our discussion yesterday regarding On-Site System, Inc. operations in Sevier County. As you know, On-Site Systems, Inc. (OSI) is a Tennessee privately owned, public utility company that provides sewerage services to areas where municipal or county sewers are not available. We currently own and operate three systems in Sevier County and have several more in design or under construction. All of OSI's utility activities, including its monthly utility charges, are regulated by the Tennessee Regulatory Commission (TRC), the state's public service commission.

In order to serve a development, property, or area, OSI must obtain letters from county and municipal officials stipulating that their jurisdictions will not provide sewers to those areas within twelve months. Those letters accompany our petition to the TRC requesting a Certificate of Convenience and Necessity authorizing OSI to provide sewer service to those areas. After review and approval, TRC will grant OSI the certificate that prevents any other privately owned, public utility company from attempting to provide sewer service to those same areas. *In no way does this certificate affect the rights or authorities of any unit of local government to provide sewer service to those areas at any time current or future.* Nor does it prevent developers from using conventional septic tank systems if approved by the Sevier County Environmental Health Department.

OSI is preparing to petition the TRC to grant a Certificate of Convenience and Necessity to cover the remaining areas of Sevier County where municipal or county sewers are not available. We would like to include the Gatlinburg growth region in our requested coverage. If approved by the TRC, that action would assist your planning efforts in that public sewer could be available throughout the planning district. This would provide you a useful option in dealing with developers proposing to subdivide using private sewerage

City of Gatlinburg
Request for Concurrence on TRC Petition

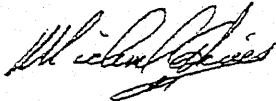
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systems owned by home owner associations.

If you concur with our proposed request, we will proceed to the TRC with our petition. Once the certificate is issued, subdivision planning before your planning commission will continue unchanged. When a developer submits a proposal to subdivide property, you will review the proposal for adequacy of sewage disposal. If the city desires to serve the area with municipal sewer service, it can do so regardless of whether the developer has proposed to use individual septic tanks or an OSI system.

Please consider this as OSI's request to the City of Gatlinburg for concurrence with our petition to the TRC to include the entire planning district outside of the current or future city corporate boundaries as part of a Certificate of Convenience and Necessity. If you or any of the other city officials have questions or would like more detailed discussions, I am available at any time.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Hines", with a stylized flourish at the end.

Michael Hines, M.S., P.E.
Vice President

On-Site Systems, Inc.

P.O. Box 22771
Knoxville, TN 37933-0771
(865) 675-5917

January 14, 2003

Honorable Bryan Atchley
Mayor, City of Sevierville
120 Church Street
Sevierville, TN 37862

Dear Mr. Atchley:

On-Site Systems, Inc. (OSI) is a Tennessee, privately owned, public utility company that provides sewerage services to areas where municipal or county sewers are not available. We currently own and operate three systems in Sevier County and have several more in design or under construction. All of OSI's utility activities, including its monthly utility charges, are regulated by the state public service commission, the Tennessee Regulatory Authority (TRA).

In order to serve a development, property, or area, OSI must obtain letters from county and municipal officials stating that their jurisdictions will not provide sewers to those areas within twelve months. Those letters accompany our petition to the TRA requesting a Certificate of Convenience and Necessity authorizing OSI to provide sewer service to those areas. After review and approval, TRA will grant OSI the certificate that prevents any other privately owned, public utility company from attempting to provide sewer service to those same areas. *In no way does this certificate affect the rights or authorities of any unit of local government to provide sewer service to those areas at any time current or future.* Nor does it prevent developers from using conventional septic tank systems if approved by the Sevier County Environmental Health Department.

OSI has been issued Certificates of Convenience and Necessity for several areas of Sevier County by the TRA. OSI is preparing to petition the TRA to grant a Certificate to cover the remaining areas of Sevier County where municipal or county sewers are not available. We would like to include the Sevierville planned growth region in our requested coverage. If approved by the TRA, that action would assist your planning efforts in that public sewer could be available throughout the planning district. As indicated, this would not preclude Sevierville from extending its own sewer system to serve such areas now or at any time in the future.

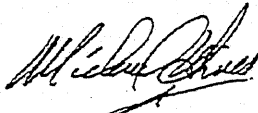
City of Sevierville
Request for Concurrence on TRA Petition

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January 14, 2003

If you concur with our proposed request, OSI will proceed to the TRA with our petition. Once the certificate is issued, subdivision planning before your planning commission will continue unchanged. When a developer submits a proposal to subdivide property, you will review the proposal for adequacy of sewage disposal. If the city desires to serve the area with municipal sewer service, it can do so regardless of whether the developer has proposed to use individual septic tanks or an OSI system.

Please consider this as OSI's request to the City of Sevierville for concurrence with our petition to the TRA to include the entire planning district outside of the current or future city corporate boundaries as part of a Certificate of Convenience and Necessity. If you or any of the other city officials have questions or would like more detailed discussions, I am available at any time.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Hines", written over a horizontal line.

Michael Hines, M.S., P.E.
Vice President